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AUTHOR Ducci, Maria A.
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ABSTRACT

This paper presents an overview of the financing of vocational training in Latin America. The paper is organized in six sections. The first section discusses diversification of vocational education funding as a response to crisis, as well as to a more favorable climate within businesses. In the second section, factors of change in funding of vocational training are examined, including restructuring economies, the decline of the welfare state, and the new financial and public spending policies. Section 3 outlines the sources of funding for vocational training: tax rebates, grants and fellowships, subsidies, payroll taxes, withholding of production, contributions from the national treasury, sales of training services, sales of nontraining services, and co-financing agreements. In the fourth section, challenges and prospects for the future are suggested. These include the financial and institutional adaptation of vocational training institutes, financial scenarios for vocational training, and proposed agendas for finances and institutions. Financial management of vocational training institutes is examined in the fifth section, and the final section focuses on trends in financing (flexibility, efficiency, and equity). The report includes a glossary of acronyms, two tables, and two graphs. (KC)

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Financing of vocational training in Latin America

by Maria A. Ducci

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INTERNATIONAL LABOUR OFFICE GENEVA

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I. Diversification as a response to crisis

The present chapter describes the different mechanisms that have been adopted for the financing of vocational training in Latin America. We shall try to counter the mistaken image that has emerged that Vocational Training Institutions (VTIs) obtain their financial resources exclusively through compulsory contributions; that is to say that the only source of their budgets is a levy on the payrolls of enterprises. As we shall see in the following pages, institutions in general and VTIs in particular have been trying different approaches in an effort to diversify their sources of income. In so far as diversification makes for progress, there are repercussions; on the one hand, financial VTI vulnerability is diminished as it stemmed from dependence on a single source; on the other hand, they are forced to experiment with new formulas for the collection of resources that compel them to also diversify the services that they provide.

Therefore, this chapter should not be read in a narrow, exclusively financial sense. Although the obtaining of resources by VTIs seems pressing at a time of crisis, economic readjustment and widespread innovations in the labour supply and the productive processes, it has resulted in serious efforts by institutions to improve the efficiency and effectiveness of their performance. They have been obliged to adopt more appropriate action in terms of the requirements of productive structures and the economically active population. Last but not least, mobilising new and different resources has led VTIs to create participation mechanisms for the recipients of the programmes they offer.

The possibility of diversifying the financing of VTIs is due to a large extent to two additional factors. First, they have found a favourable environment within firms and enterprises. The operational ability of VTIs to supply adequate services to upgrade productive capacity is recognised. Secondly, because VTIs have identified new demands by acting flexibly with imagination and speed in joining forces with those responsible for modernising production processes.

It is difficult to determine how far it was the opening up and the availability of non-conventional funding sources that led VTIs to follow new roads in the supply of services and the way in which they were offered. Or, how far these new roads were not the triggering factor in the search for alternative financial sources. It would seem that there was an interplay between the factors, making for flexibility, adaptability and innovation in the VTIs' activities.

Having to cater for new customers (urban and rural, small and micro employers, the employed, the unemployed and other disadvantaged sectors of social groups), and to design new strategies by deepening and expanding extra-curricular approaches, as well as the launching of non-conventional services that went far beyond training, would probably not have been possible without the vitalising injection of fresh resources. It is also true that it was the need and the pressure to act on these fronts exerted by the dynamics of the productive structure and the social situation that acted as a lever for the securing of resources to carry out these activities.

There is some evidence that may be quite enlightening in this respect. Traditionally, Latin American VTIs operated with an ordinary budget nearly always derived, from levies on employers' payrolls. When some of them (i.e. INA Costa Rica, INCE Venezuela, SENA Colombia) started to move towards underprivileged urban and rural sectors, they received budgetary assistance from their respective governments in order to do so; in other words,

what in some cases were called "special programmes" were financed by supplementary funds from the national treasury. At present, however, conditions have substantially changed. Many of these "special programmes" have become part of the regular activities of VTIs and are therefore financed by the institutions from their own resources. Furthermore, in the area of financing a novel trend has arisen; many VTIs do not suffer from explicit cut-backs to their budgets; but they are often called upon to look after extraordinary multisectoral programmes (together with health departments, housing divisions, employment departments, infrastructure works, etc.) and they frequently have to fall back on their ordinary budget to defray the costs of such interventions.

Besides, as some VTIs began to act with enterprises outside the conventional areas (that is to say vocational training) they had to play roles that had not been traditionally contemplated; i.e. the supply of overall training services, the provision of partial services (training of instructors, supply of teaching material, design of programmes and courses), technical consultancies and assistance (also on a partial or full time basis), etc. Although initially these activities were free of charge, as they grew and acquired a certain weight, they were recognised as a possible source of means (sometimes monetary, on other occasions in the form of equipment, machinery, raw materials, materials, services , etc.). Nowadays it is not infrequent to find that some VTIs are in the market competing with other suppliers of services, (either training services or technical assistance services); in some cases, success in this competitive struggle is vital for the survival of the VTI because the available budgetary resources depend upon it. Therefore this competition begins to give VTIs a new thrust: they have to produce quality programmes at costs that are adapted to the market; they must validate the quality of their services in the market and they must coordinate with the surrounding environment and organise the constant updating of their programmes, personnel, etc.

Other fields that are intimately linked with the problems of financing of training will be dealt with in this chapter: the criteria of efficiency and equity underline any kind of scheme; and, the increasing incidence that the financial policies in force may have, or threaten to have, on the budgets of VTIs.

With regard to efficiency and equity criteria, it is obvious that those managing VTIs are aware that available resources should be invested according to economic and social demands, endeavouring to provide fair distribution. Furthermore, as several combinations of public and private resources exist, it is also essential to also analyse the effects of expenditure on training in relation to the needs of other social and economic sectors, such as investment in infrastructure, health, housing, etc. Faced with the serious financial crisis afflicting countries of the region, national authorities in general, and VTIs in particular, tend to find ways to justify the participation of the state. And in the case of VTIs to determine adequate amounts to ensure participation in the overall national training effort.

It is evident that Latin American countries are undergoing a serious economic and financial crisis. The cause of the crisis is frequently attributed to large public deficits stemming from the weight of servicing the external debt, the size of the state bureaucracies, the inefficiency of public enterprises, tax evasion and so forth, that have a negative effect on investment and therefore on economic reactivation. To solve this problem, some countries have introduced drastic measures of economic adjustment, which in general give priority to overcoming the endemic public deficits. Accordingly financial policies play a decisive role in any attempt to put order into the economies with a view to promoting a renewal of investment, economic modernisation and budgetary balance.

An analysis of financing of VTIs is at present interlinked to the reorientation of public spending in general and of state intervention. Like the latter, VTI-financing is undergoing a stage of deep change that can be seen in its transition towards new modes of obtaining resources and fresh criteria for their allocation.

As usually happens during transitional periods, neither all countries nor all institutions move at the same rate or in the same direction; of course, there were differences at the initial stage or the starting point for each country and institution towards this phase of transition. To quote an obvious example, the complex combination of financial instruments used for VT in Brazil is quite different from the relatively straightforward funding, traditional to the Colombian SENA.

Thus, any analysis of the financing tendencies of VTIs in Latin America should take into account the following aspects:

A study of the forces towards change and their relative strength in each country. This cannot be a static analysis as the present quantitative tendencies cannot be assumed to have continuity;

The financing of traditional VTIs and of the new or emerging ones, are characterised by a change towards a certain degree of "para-institutionality" or "institutional informality".

For the above reason any scrutiny of financial trends should be made along with the institutional development of the sector in question. Each VTI has its own way of financing and was generally conceived and evolved within a certain financial perspective. A VTI runs the risk of declining and even dying if it does not adapt to change as to its possibilities and the financing of demands.

Any analysis of budgets and financial statements should be approached with great care. The same can be said about a comparative analysis (among institutions or countries) of aggregate figures. It is not just a matter of the well-known difficulty of expressing national monetary magnitudes as a money unit of a common nature reflecting their potential, their impact or incidence of savings, investments or expenditures (problems of rates of exchange, the internal earning power of the national currency, etc.). It is a matter of identifying and evaluating the very origins of the finance and institutionalisation that corresponds to the transitional stage over and above the overall figures of the previous phase, whether they be institutional, national or regional figures.

II. Factors of change in VTIs' financing

The forces behind the current changes in the financing of VTIs are of different origin and act in different directions. There is not a single kind of change and that is the reason why the picture is confusing and the forces are difficult to identify.

There are several new groups taking part in this transformation of VTIs:

A. Restructuring economies

Currently there is an overall reorganisation of production, distribution and consumption throughout the region. This is a reorganisation process affecting the contents, approaches and strategies of VT in various ways:

By promoting decentralisation of large enterprises, fragmenting them into smaller production and service units. This phenomenon multiplies the number of users, financers and executors of VT programmes and calls for new and more diversified programme contents.

By stimulating the training of occasional, subcontracted or independent workers, decentralisation blurs the channels connecting workers with VT programmes and calls for a readaptation of programme contents. Labour instability requires flexible, modular and ongoing programmes, catering for all age groups and various social strata.

In transferring public resources to territorially decentralised levels, and allowing the possibility of intervention to communities and the private sector in the allocation of funds, attention is shifted from economic sectors towards territorial development. This in turn calls for greater decentralisation of programme contents as a function of regional and local development and throws the door open to new agents, such as financiers, executors and users of VT programmes.

By modifying the labour market and reshuffling occupational structures, decentralisation undermines the representativeness and legitimacy of traditional union organisations and necessitates a recourse to grassroots corporative workers' organisations on a regional or local basis.

In transforming productive processes, it makes programmes and technologies obsolete; which calls for an accelerated renewal of curricular contents as a function of the changing needs of firms and enterprises.

B. The decline of the welfare state

The decline of the all powerful welfare state, that was omnipresent in the lives of men and women of the region during the past few decades, is an element that has also impinged on the economic and social context of VTIs' financing.

We have recently witnessed an increasing decay of the role of the state as a decisive element in the execution of social policies in order to mitigate social inequalities, promote the redistribution of income, to relieve poverty, curtail levels of unemployment and underemployment, etc. The leading role that the state held during the sixties and the seventies in the dissemination of technical progress is being taken over by the interests and activities of the modern sector of the economy.

One of the central subjects in all discussions relating to educational policies refers to the subsidiariness or otherwise of the state and the

actual role and potential effect of the private sector in education. At present there is not only an ideological/political debate on this matter, but there is also greater participation of the private sector in the supply of educational services at all levels (pre-school level, primary, secondary education, higher studies and at university level).

This loss of influence of the welfare state has led to the design of substitute forms of state intervention as to the training of workers which are still not clear-cut; and in this case uncertainty will pervade the planning of VTIs in the medium and long term. At the same time the private sector has greater participation in the management of training programmes.

C. The new financial and public spending policies

Measures of financial readjustment adopted in recent years and those under political, economic and legislative examination, are changing configurations of all the calculations of resources and expenditure among the different sectors of activity. Measures invoking assumptions of budgetary balance and rigidity, unity of budget and cash flows, etc. have repercussions throughout the national spectrum and also affect VTIs, as these organisations, until quite recently, had based their funds almost exclusively on what they collected through specific taxes (a levy on payrolls of firms and enterprises). Those in charge of economic and financial reorganisation in countries of this region are nearly always preoccupied with banning all specific taxes that affect the traditional concept of a public treasury based on cash unity.

These new policies operate through multiple channels, among them the following:

An emphasis on the readjustment of public spending by making territorial and sectoral budgets independent from the central national budget; the promotion of financial self-sufficiency for decentralised institutes; reaching cash-flow and budgetary units and the abolition of tied financing, a greater flexibility, and the ongoing evaluation of public expenditure. Stress is now laid on the effectiveness and the efficiency of expenditures.

This reorientation of fiscal and tax policies has an effect on financing in the following way:

In aiming for flexibility, unity and the abolition of tied financing, they go counter, implicitly or explicitly, to the traditional way in which VTIs were funded, that is to say a levy made on enterprise payrolls;

In strictly separating sectoral and regional budgets from the central national budget the budgetary and territorial transfers are restricted or suppressed in favour of decentralised entities dispensing VT;

By promoting independent fiscal efforts, financial co-operation between local communities and VTIs is encouraged;

By laying stress on evaluation and flexibility, variable budgets and civil and labour contracts of a temporary nature are promoted.

An assumption that the private sector is more efficient and effective than the public sector implies the evaluation and practical validation of VT programmes in the marketplace to the detriment of their social assessment and the socio-political effect that they may have, all of which results in pressure in favour of the sale of services and a certain underestimation of free training. It also favours the backing of programmes that, though not directly validated in the market, are directly managed by private firms.

A search for efficiency in the handling of public resources available in cash. This is a supplementary policy to that of cash unity and consists of demanding the financial management of available public funds in accordance with the returns of the financial market at a given moment. This policy leads VTIs to obtain returns through the placement of their surpluses in entities endowed with tied incomes.

However, there are pressures in the opposite direction that should be taken into account. These pressures derive from a resistance to change due to inertia in the bureaucratic, institutionalised budgetary and financial circles that occur in contractual and auditing practices. They also derive from movements which in certain countries seem to go counter to the economic policy trends pointed out above.

A few years ago in Costa Rica, for example, income devoted to INA the National Training Institute, more than doubled; whereas in Brazil, the advisability of nationalising VTIs was envisaged at the recent Constituent Assembly; Training bodies like the the Argentine CONET and the Colombian SENA are nowadays more than ever under the control of the state.

A number of pressures of different kinds and strengths act upon the financing of VTIs. This phenomenon has had its impact on the daily life of these institutions and they have been forced to modify their roles and their objectives; a new configuration has emerged regarding their character and development; they have changed strategies, plans and programmes and have reordered their administrative, technical and operational routines. To a large extent, VTIs are witnessing an incipient but deeply structured reorganisation as the result of these new financial arrangements.

III. Sources of VTI funding

Public financing of VT is based on the assumption that the State should ensure the development of human resources to support national development, covering those areas that private enterprise is not prepared to finance. Public financing of VT in Latin American countries is carried out through various channels:

Subsidies to VT specialised institutions;

Budgetary appropriations devoted to VT from public and governmental departments;

Tax incentives granted to enterprises for VT purposes;

The financing of special training programmes at national, sectoral, regional or local level;

The financing of training components in investment or development projects of a public or private nature;

A system of fellowships for VT;

The financing of monitoring and supervisory bodies for VT implemented through private and public funding.

In the general picture of countries of the region some of these channels have had great historic importance, and others constituted innovations of particular interest as alternative forms for public financing of VT. We shall concentrate on the most important ones in greater detail. However, public financing operates in the countries of the region side by side with a wide range of VT activities that are funded on a private basis, both by enterprises and by private individuals, through different agents or directly.

A. Tax rebates

Tax rebates in favour of VT have been introduced into several countries of the region. In some countries they have been in force for several years: in Argentina since 1981, and Brazil and Chile since 1976. In other countries, however, rebates are not yet operational, however, although they have legal mechanisms with the same end in view. This is the case for Mexico, where small enterprises may get the benefits of tax deduction for the training of their workers within the general framework of a mandatory law for enterprises to train and pay for training on-the-job. In Uruguay, legal instruments for this purpose date back to 1987, but they have not yet been regulated.

Our analysis of tax incentives will refer, therefore, to Argentina, Brazil and Chile. The schemes adopted by these three countries are not identical but they are all based on authorising enterprises to deduct expenses incurred in training their workers up to a certain level. The effects resulting from the application of the system in these three countries are probably common to fiscal incentives which could be applied in any other country.

Tax rebate policies for the promotion of training have been one of the most significant modifications introduced into the public financing scene of this area. For several years high expectations were held as to the effect these financial measures would have on the expansion of training of workers. Likewise the measures adopted by Brazil and Chile were associated with the creation of so called "national systems" for the training of manpower and the promotion of employment. Not less important was the fact that, through these measures, more active participation by employers was sought and greater mobilisation as well as the incorporation of new human and

material resources to the national training effort. In the case of Argentina and Chile, tax incentives (whether they were tax credits, in the case of Argentina or tax exemption in that of Chile) were enacted as a substitute for the traditional financing mechanisms. In the former case, by replacing a tax on technical education, that was the equivalent of contributions on payrolls, and in the second case, as a substitute to appropriations of the national budget granted by the Executive Power to official VTIs.

Chronologically speaking, the first of these three reforms took place in Brazil. Towards the end of 1975, the Brazilian government passed Law No. 6297 whereby a deduction was introduced in the form of the income tax of juridical persons equivalent to twice the expenditures invested in vocational training projects, and up to a ceiling of 10% of taxable earnings. For the purposes of enactment of this law, VT was defined as all activities implemented for the immediate training for work of individuals, both minors and adults, through methodical apprenticeship and learning, occupational qualifications, further training and technical specialisation at all levels. This tax deduction on incomes did not only apply to VT; similar tax incentives were introduced for the promotion of a "Workers Food Programme" (Law 6321/76) and for the provision of Transportation Vouchers for the Workers.

After ten years a review of the tax rebate system, was carried out by the National Manpower Council of the Brazilian Labour Ministry. It showed discouraging results; only a small number of medium sized and large enterprises, (never more than 5.000 in the year, out of a total of two million productive units) had benefited from Law 6297. The greatest percentage of the potential of permissible tax rebates corresponded to the year 1984 when only 6.5% was utilised. Besides, nearly 60% of the entreprises that benefited from this law, were concentrated around Sao Paulo and Rio de Janeiro; a percentage of nearly 90% was reached if Rio Grande do Sul, Paraná, Santa Catarina and Minas Gerais were included. In other words: the impact was small, highly concentrated and showed few indications of effective mobilisation of new (or additional) resources for training; everything would seem to indicate that these tax rebates were being utilised by enterprises that already have ambitious training programmes. It would seem that what counteracted the law's objectives were attempts to simplify tax policies, apply well-meant measures and taxes for a specific purpose.

In Argentina, a tax credit regime was introduced in 1980 by Law 22.317. It stipulated that enterprises might deduct from their tax obligations up to eight per thousand of overall wages and salaries, as expenditure on technical education and training for the workers. CONET is in charge of course supervision and control of the spending and the granting of certificates to enterprises for use when they pay their obligations to the General Tax Department.

The Argentine Construction Chamber has promoted a variant of this system by acting as an intermediary. As a result of an agreement with CONET, the Chamber set up a vocational training centre and a support body called "The Cesar M. Tolledo Training Centre Association". Firms and enterprises belonging to the Chamber make their contributions to this Association which uses them for the implementation of training courses. The Association also negotiates with CONET regarding certificates for contributing businesses. The Association likewise advises and guides affiliated enterprises as to how to apply the procedure. Employers' centres offer courses and are the custodians of the capital in hand and managers of the raw materials and the teaching aids used in the respective centres. Control of this management operation is in the hands of CONET. To a certain extent, this intermediary scheme is similar to the Chilean system where a body called OTIR acts as middleman between SENCE the National Training and Employment Service, and the Technical Executing Agencies (OTE).

CONET also has 13 centres called Private Factory Schools, which are in fact educational units to which the fiscal credit regime of Law

22.317 for the exemption of tax obligations is also applied. Supervision of these schools is in the hands of the General Technical Education Division of CONET.

As opposed to the cases of Brazil and Chile, in Argentina, the financial authority sets the tax credit limit that CONET may grant. In 1988, the ceiling was 35 million australes, the equivalent approximately of 2.3% of the CONET budget for that year.

Chilean experience in the matter of tax rebates deserves more detailed attention, as it has more widespread rules and enforcement. The National Training and Employment Service (SENCE) created in 1976, dependent on the Labour Ministry, became the main organiser of VT which until then had been carried out by INACAP, the National Vocational Training Institute. Simultaneously the public financing of INACAP was discontinued. Other financing derived from contributions from the annual budget of the Production and Development Corporation (CORFO) and from extra contributions by the State (income from this source has since declined to 20% a year). Tax incentives to enterprises through a deduction of the tax they have to pay at the end of the year are at present the most important source of financing for training.

The rationale underlying this reform was the validation of training programmes by the potential beneficiaries. Demand would be guided by the efficiency and effectiveness of training programmes. In other words, rather than ex-anti- and ex-post-evaluations, the Chilean authorities consider that demand alone is a means of assessment.

The main institutional development of training in Chile is confined to creating the necessary conditions for third parties (that is to say employers) to finance training and training bodies, called OTEs. These provide mechanisms to implement the programmes in accordance with directives laid down by the Government. The institutional development of training then consists of a proliferation of executing agencies covering all regions of the country, all economic sectors and the whole of the economically active population. In 1988, there were 732 executing agencies authorised by SENCE; however, only 400 were operational. Due to its size, one of the main functions of SENCE, as a state body, is to authorise and supervise the performance of the executing agencies and to control and approve the application of tax exemptions by enterprises and OTIRs.

Within this context, INACAP has not disappeared but has become one more executing agency for VT and is still the most important entity in the system. It is also the agency that sells the greatest volume of services in the market as it has the advantage of a physical infrastructure, human resources and the accumulated experience of twenty years of operation.

SENCE, as the institutional core of the training system, and the main financing instrument of the tax exemptions constitutes the cornerstone of the organisation and financing of VT in Chile. A mechanism of tax rebates called "tax exemptions" was also introduced in 1976 through Decree Law 1446. Although the volume of resources obtained through tax exemptions is about 18.5 million dollars a year, there is no fixed ceiling as the bodies that allocate resources are enterprises and employers themselves. They decide whether to use exemptions or not, they choose the training programmes that suit them best, select the executing agency, etc. The Chilean State merely controls and supervises the system in two different ways: SENCE must evaluate the quality of the tasks carried out in the field of training but the financial authorities monitor the use of the resources exempted from taxes.

In summary, the scheme adopted in Chile is based on the concept that the executing agencies (OTEs) are able to interpret the true demands and requirements of the decision-making bodies, that is to say, enterprises.

It is an explicit subsidy, specifically designed to measure expenditure relating to training activities in a relatively direct manner. However,

there is no evidence as to the net effect of this encouragement on total VT available. Surveys carried out are usually based on the assumption that the weight of the incentive is an additional element to the total volume of resources devoted to VT. But no study has been carried out as to the "switching effect" of this incentive, possibly enterprises benefiting from it would in any case have implemented some VT programmes with or without this type of encouragement.

Tax incentives give rise to insurmountable problems of verification and control. In the three countries in question there is evidence that the incentive is sometimes denatured through resources being deflected towards programmes that do not respond to the foreseen objectives or by irregularities in the execution of programmes or in the claiming of the tax rebate; a situation that might reinforce the hypothesis that the true benefit of tax incentives has been overestimated.

At least in Brazil and Chile, where some evaluations have been made, the application of tax rebates has concentrated benefits on large enterprises in the more developed regions of both countries and in the most dynamic sectors at the highest level of the occupational ladder. This might lead us to suppose that fiscal incentives have a regressive effect. In both countries a number of measures have been taken that tend to counter the shortcomings and focus on more equitable objectives in the application of tax incentives. The range of initiatives is very interesting, particularly as it has stemmed from practice and assessment of the whole system.

The most widespread measure utilised is the promotion of associations of small and medium-sized enterprises by sectors of activity so that as a whole they may take advantage of fiscal incentives through economies on a large scale. Such is the case of the OTIRs in Chile. An effort has also been made to favour access to productive units to subsidise services offered by VTIs, as is the case of Brazil. There they may deduct tax rebates from service contracts with SENAI, the National Service for Industrial Training and SENAC, the National Service for Commercial Training.

In general, tax rebates imply financing by the State but the training imparted is decided upon by firms and enterprises. The latter control the allocation of resources in accordance with their own interests, which may or may not coincide with national, social and economic priorities. But by artificially lowering the cost of VT as far as the consumer is concerned, over-investment in training may occur from the macro-economic point of view.

To sum up, although this approach implies better co-ordination of VT supply and demand, it is not clear whether the demand corresponds to real needs, because it might be exaggerated. Besides it is not justifiable that this kind of demand should be handled by the State, especially when there is a specific training component which is exclusive to the individual enterprise.

Within all these systems based on tax rebates many of the VTIs compete with each other for the subsidised demand that stems from enterprises. This kind of competition encourages operational efficiency within the institutions, and often boosts the prices and marketing aggressiveness of the suppliers, in improving the quality of the services offered. Enterprises do not know how to evaluate this aspect or are not very interested in doing so. However scattered, supply is an obstacle to scale economies in training services. This can be clearly seen in Chile where most of the VTIs do not have good success in alternating high quality teaching staff. In any case, there are other parallel public financing modalities in these three countries, which act (to a greater or lesser extent) as mechanisms compensating for such weaknesses.

B. Grants and fellowships

Public financing associated with fellowships and educational grants is widespread throughout the region; though resources are not always

significant (and in the last three years have fallen alarmingly). Nevertheless this mechanism is not a very important way of channelling resources towards VT. We have excluded fellowships granted by VTIs themselves and other special systems operated by private and public agencies. There are some precedents as to educational grants and training. Nearly all were associated with wider governmental projects often managed by Labour Ministries and Social Affairs Divisions which tried to help the unemployed and underemployed by financing programmes for them. These initiatives were usually quite circumscribed and had no very significant impact.

In fact, the most important system of grants in operation at present is in Chile. SENCE and SENAEM, the National Employment Secretariat under the jurisdiction of the Ministry of the Interior, have initiated fellowship systems as a form of public financing on an individual basis.

In Chile, this system constitutes a supplement to tax rebates and is aimed at the training of individuals who are not connected to enterprises, such as the unemployed, young people coming into the labour market, the handicapped, people in critical poverty, independent workers, workers in micro enterprises and the informal sector in general, etc. It is managed by SENCE, along with, but through a separate channel, from the authorisation of training programmes that firms and enterprises charge to tax rebates. It functions through tenders called for by SENCE from the executing agencies (OTEs) recognised by governmental authorities.

The selection of beneficiaries is made through labour authorities by means of a permanent service that attempts to establish who in the poverty fringe has access to the social support awarded by the State through its nutrition, health, education and employment programmes.

The OTEs or executing agencies, are responsible for carrying out the training and until some time ago, SENCE only reimbursed training expenditures when OTEs showed that more than two thirds of the course graduates had found paid employment during the three months after pursuing the courses. But that control procedure was short-lived due to the difficulties involved in the follow-up measures and as a result of the general unemployment situation in Chile at the time.

Municipalities monitor the demand for regional vocational training in accordance with the needs of local businesses and the local self-employed. Generally the programme extends to all sectors of the labour market including individuals covered by the Minimum Employment Plan, those attending rehabilitation centres, minors in irregular situations supervised by the National Minority Service, the handicapped, and workers in need of retraining such as former National Coal Mining Company officials.

From 1977 to 1987, SENCE looked after the needs of more than 300,000 persons through the grants and fellowships programme. It did so by means of 19.000 courses imparted by various agencies. Each course lasted 100 to 300 hours, i.e. from six to twelve weeks, covering occupations in the following sectors:

> agriculture and livestock production, forestry, construction, services, mining and trades. Approximately forty per cent of the total resources were devoted to the agriculture and livestock sector; another forty per cent to industry and construction and the remainder (rather less than 20%) to the commerce and services sector.

The SENCE grants programme costs between 800.000 and one million dollars a year. During the 1977-1987 period, the accumulated total expenditure represented approximately a quarter of the total devoted to tax exemptions. In 1987, SENCE financed 9,000 grants and fellowships to a total of nearly one million dollars, only a tenth of the disbursements by the State in the same year through tax rebates. It is evident that the relative increase of tax exemptions was not much higher than the total grants

programme, which had diminished ostensibly as from 1980 both in terms of the number of trainees and the total resources allocated to it.

Also in Chile, SENAEM, has since developed another training mechanism. Since 1986, it has offered training courses for young people from 18 to 24 years of age, who have less access to programmes offered by the business sector based on their tax rebates and the SENCE grants programmes. SENAEM gives priority to pre-vocational training activities, whereas most of the SENCE coverage is aimed at adult workers.

Towards the end of 1986, SENAEM launched a National Training Programme affiliated to the Special Employment Programmes. This scheme offered better and most stable job openings with higher wages and better possibilities for professional development for young people. Like the SENCE programmes, these incentives worked through a decentralised management scheme enabling regions to maintain training courses for local labour requirements through their municipal authorities.

From 1986 to the end of 1988, SENAEM trained 22.000 thousand young unemployed people affiliated to Special Employment Programmes. From the beginning these courses were aimed at the growth sectors of the economy, such as export or import substitution activities and some services that derived from the basic development of the country in general. In other words, the programme tried to ensure that resources invested in training were effectively used to create better employment opportunities for the participants.

In 1989, an overall Programme for Youth Training was launched aimed at 25.000 young men and women in extreme poverty. This Programme is being jointly implemented by municipalities with high unemployment and important socio-economic problems. Its objectives are to provide training to young people in the 18 to 24 age group with no labour experience in order to give them the possibility of self-employment and easier access to the labour market. The total cost of the programme has been estimated at 3.900.000 dollars. These costs covered the financing of 250-hour courses (the equivalent of three months) teaching materials and a monthly subsidy for transportation and food. Apart from the 250 hours of tuition, trainees have to attend periods of practice in plants or enterprises to develop adequate work skills.

In Chile fellowship systems have become a way to alleviate the concentrating effects of tax rebates and to look after the needs of population groups and sectors that do not have access to tax exemption. However, fellowships suffer from the same limitations as the former as far as the guarantee of programme quality is concerned.

C. Subsidies to VTIs

As a result of industrialisation processes and faced with a lack of skilled manpower, governments have to organise structured VT systems. These systems were devolved in order to make up for inadequacies in the education available and the lack of tradition in the business sector as regards the training of their workers. The rationale behind the creation of the VTIs was as follows:

The long term social returns of training with a view to expanding the development of the productive structure;

The need to give equal opportunities to those in no position to pay the costs of their own training, whether enterprises or private individuals;

The operation of scale economies through wide coverage at national level, since fragmented or atomised bodies might increase costs;

The concentration of national VT policies and strategies instead of sectoral or regional subdivisions;
The tutelage and participation of the State as the leading protagonist for the

promotion of economic development and the design of social policies.

The combination of these factors led to the creation of VTIs, whose main financing formula was generally a tied tax from compulsory contributions made by firms and enterprises. This formula ensured the stability and financial solidity of VTIs. At the same time, it opened up a means of permanent and close connection between business and governments. Finally, the concept of a tax contribution from enterprises meant that income was in proportion to demand generated by contributing enterprises through their own growth and development.

In general there are two main sources of funding of VTIs. The dividing line between them is a matter of the degree of compulsion felt by contributors. Thus, among sources of income based on mandatory contributions we may mention the following: deductions from the payroll and the withholding of production. Among non-compulsory sources are the following: explicit or implicit contributions from the national treasury; co-financing agreements with companies and other public or private agencies; the sale of training services and the sale of non-training services.

D. Compulsory contributions: payroll tax

Until about fifteen years ago, payroll levies were the overwhelmingly predominant way of funding vocational training. That situation began to change towards the middle of the last decade as a result of the process of restructuring due to the economic crisis afflicting the different countries. Revenues shrank in some countries as a result of the lowering of the real value of payrolls and also, VTIs were required to look after disadvantaged social sectors. More recently a new element has appeared stemming from the adoption of financial adjustment policies. In connection with VTIs this has led to the need to diversify sources of funding in general and, in particular has raised questions regarding the validity of the payroll tax.

The financing mechanism foreseen in the founding charter of most VTIs in Latin America lays the onus of contributions upon business, contributions that generally range from 1 to 2% of their payrolls but in some cases rising to 3%. The contributors vary from one country to another, sometimes state enter-prises and governmental bodies do not contribute, whereas in others they do. The lower limit as to the number of workers in the contributing companies also changes from one country to another. In some cases workers also make a financial contribution. However, and in general terms, the main burden of contributions is borne by the enterprises through taxes. These founding charters also foresaw additional funding sources and various combinations for financing training, which deserve further exploration. In fact, in the last few years, several Latin American countries have introduced important innovations in the overall financing of VT, and in some cases this has directly affected the traditional formula for VTI financing.

The transformation or supplementation of contributions through the payroll or tax levy has taken place in the following way:

In Argentina, in 1981, payroll tax was eliminated under the pressure of a general restructuring of public expenditures. It was replaced by budgetary contributions which have tended to diminish;

In Brazil, the payroll tax has not only been maintained but has also grown as far as its real value is concerned. However, co-financing between enterprises and VTIs through specific agreements, has acquired greater importance and reached high absolute figures as a supplementary source during the last few years;

In Colombia two events have simultaneously taken place. On the one hand, the validity of the payroll tax has been questioned, and on the other, its applications have been diversified through attention to other programmes that are not part of VT projects, either directly through

SENA or through other public bodies, such as the Ministry of National Education;

In Costa Rica, despite the fact that the payroll contribution rose from 1 to 2% in 1983, revenues affected by several financial policy mechanisms obliged INA to accumulate surpluses that were transferred to a common fund for purposes other than vocational training;

In Peru, SENATI, the National Service for Apprenticeships and Industrial Employment, has maintained payroll taxes, but has tended to lower them. As in the case of Brazil, it seeks to supplement its funding through agreements with businesses;

An analysis of what is occurring in Colombia might shed light on the financing formula based on a compulsory levy on payrolls and the institutional reaction that emerged as a result of the new tax policies.

As pointed out earlier, specifically allocated taxes are one of the targets of public finance policies together with the break up of cash and budgetary unity. These new policies have given priority to intergovernmental transfers of all kinds and have tried to eliminate budgetary rigidities by sectors or institutions. The Colombian Law 55 of 1985 ascribed new responsibilities to SENA the National Training Service, with regard to technical and vocational education. It can be interpreted as an attempt by the State to remove the rigidities of fund allocations specifically destined for SENA. The law promoted SENA's functions and authorised it if it was unable to administer them, to make agreements with the government or other public entities in order to do so. In this way, the principle of strengthening cash and budgetary unity was made at the expense and to the detriment of SENA's institutional specialisation and its internal budgetary flexibility.

Another objection to SENA's financing mechanism refers not only to the nature of the specifically allocated funds, but to their origin, that is to say, the levy on payrolls. In general, those who object to this type of contribution maintain that it has a negative reaction on the cost of manpower, on employment demands from enterprises and on the flexibility of labour relations. Certain circles have already suggested the replacement of payroll levies by a proportion of the Value Added Tax. What cannot be foreseen is how long the Colombian government may take before introducing changes.

Under such circumstances, various options have been considered as substitute financing to compensate for the eventual loss of resources to VTIs. For instance:

Resources from municipalities for training programmes. The decentralisation and deconcentration policies adopted by the Colombian government in favour of municipal autonomy and the consequent release of funds in that direction may lead SENA to compete as an executing agency in the market for training programmes at local level;

Resources contributed by firms and enterprises. Within the framework of Colombian financial policies, the adoption of tax rebates does not seem to be viable. A legal requirement could be made of enterprises for training contracted by them within the market that might lead SENA to compete for such resources with other public and private organisations, non-governmental bodies, universities and training entities;

Budgetary contributions to special projects from the State. It is possible that the Colombian State might continue to sponsor or will increasingly sponsor training programmes for the underpriviledged, e.g. the unemployed or underemployed, etc., who cannot cover their own training costs through its own budget or through subsidised credit. In this case it is also probable that SENA would compete, as pointed out in the previous paragraph, with other public or private bodies.

If measures like those mentioned above should become widespread and the financial policies sketched out should grow and develop, it is possible that many of the rigidities which affect SENA nowadays may be overcome. In the search for new financing formulas, SENA may have to look for more space to develop its initiative and creativeness. The increasing responsibility of an independent income and the sale of services might create greater flexibility in the institution's spending style. It might also require the allocation of risk funds in order to develop marketing programmes, such as the identification and encouragement of demand, the more active promotion of programmes offered, cost adjustments and so forth.

E. Compulsory contributions: withholding of production

This type of contribution is a response to the search for an alternative to the payroll levy. The construction industry and the rural sector are organised so that a levy on the payroll is not meaningful as labour relations in those sectors are not based on traditional wage mechanisms.

Withholding on earnings from production is a mechanism used by some entrepreneurial chambers in Mexico with a view to financing training activities in some specific sectors, such as the sugar industry or the construction industry. The system has also been adopted by SENCICO, the National Training Service for the Construction Industry and by the Uruguayan Honorary Council for Vocational Training, COCAP. It is an approach that has not been adopted by other countries, although most of them do have schemes for sectoral training.

Although the Mexican case does not strictly adhere to this scheme of withholding from production profits, there are some precedents that may be mentioned here. As established by the Federal Labour Law currently in force, it is mandatory for employers to offer training to their workers. Therefore the main financing source is the contribution made by the employers themselves. On the basis of their programmes and approaches to implement training, they cover the total expenditure. In general, Mexican employers have adopted specific financing mechanisms that exist side by side with other sources and regimes for securing funds. Often these are formulas designed by the employers themselves or are agreements with workers' unions after collective bargaining.

Among the mechanisms devised by the employers are industrial training institutes aimed at the development of sectoral training activities. Different financing approaches are applied to these institutes. One is the purchase of training services from an institution set up by the respective sector; such is the case of the Textile Training Centre (CATEX); another approach is that adopted by the construction industry where the contribution from the different firms to the Training Institute for the Construction Industry (ICIC) is in proportion to the volume of sales. ICIC offers a large range of training services to all its affiliated enterprises. ICIC resources are set as a contribution of two per thousand that each builder or constructor must pay on the total amount of his work contracts, both in the public and the private sector. ICIC renders its services to enterprises without linking its training activities to each firm's contribution; which may mean that a redistributed effect also benefits smaller enterprises with a relatively lower labour concentration also. ICIC is therefore very different from CATEX, where each firm or enterprise contributes as much as it can afford, and the firm that can afford more gets a better share of its services.

Another financing approach based, like ICIC, on the withholding of production is that of the Training Institute of the Sugar Industry (ICIA). In this case, the financing of training is achieved through collective bargaining and is made up from contributions that depend upon the annual production of each sugar mill in the country. The pattern established is the equivalent of $0.0125 (one cent and twenty five cents) per kilo of standard base sugar produced. As opposed to ICIC, ICIA is managed on a bipartite basis (by the workers' union and the entrepreneurial chamber) and the State is also represented on its governing boards. The most serious limitation of this scheme is that the total resources obtained are closely tied to fluctuations in production (good or bad crops), to national and international market prices and to wage increases.

Levels of income of VTIs based mainly on obtaining resources through the withholding of production earnings are closely associated with the ups and downs of the economic evolution of the sector in question. Resources thus vary according to the behaviour of the sector which makes it difficult to establish medium- and long-term programmes. Funds collected in this way tend to relate mainly to the specific and circumstancial interests of the sector's businesses. Due to the nature of this kind of financing and the needs of the productive units, these VTIs are highly selective in their recruitment. Their programming is mainly oriented towards the already employed worker and only to a lesser extent, to fresh manpower.

Cyclic fluctuations resulting from this financing have prevented some VTIs from introducing programmes over and above the levels necessary for skilled and semi-skilled workers. These VTIs have not contemplated the possibility of massive assistance and advisory services to enterprises in the sector or to participating in matters relating to the development or technological innovation of the industries they cater for. The mechanism imposes severe restrictions on the possibility of generating a solid and workable infrastructure with technical and pedagogical resources, and also there is little leeway for innovation and change, the development of personnel, of new methodologies or teaching resources.

F. Contributions from the national treasury

Several Latin American VTIs receive different types of contributions from the national treasury for the financing of their training activities. In general, these contributions are of two kinds, overall and specific budgetary contributions.

From the point of view of public financing, this scheme allows governments to control the volume of resources allocated to VT in accordance with economic and social priorities. It does not undermine the flexibility of tax management nor does it affect the supply and demand of factors and products in the marketplace. Also, governments are in a better position to control the social distribution of training services.

The cost effectiveness and efficiency of training services financed in this way are quite likely to be low when direct state production is concerned, since public training institutions are not particularly worried about evaluating the qualitative and quantitative training needs of the marketplace and tend to be conservative in their choice of programmes.

This conservative element is not a factor when the State buys training services from specialised institutions on the basis of specific training and employment projects, for example in the area of public works.

VTIs receiving optional subsidies from the State such as CONET, the National Council for Technical Education (Argentina) and SENAR, the National Rural Vocational Training Service (Brazil) as well as INACAP, the Polytechnical School System University of Work (Chile) and UTU (Uruguay), originally, had to bargain for the contributions each year or for each project, which obliged them to be careful about their internal efficiency and the economic or social

impact of the activities they implemented. This funding scheme simplifies the control of income as it is negotiated with one single source. But it also entails insecurity in the long-term that inhibits possible development of these training institutions.

The resources financing the Argentinian CONET, the National Council for Technical Education, and the Uruguayan UTU are overall budgetary contributions and for both institutions such contributions are the sole source of financing for their activities. VTIs like INA (Costa Rica), SENA (Columbia), INCE the National Institute for Educational Co-operation in Venezuela and to a lesser extent SENAI and SENAC (Brazil), receive or have received in the past, specific budgetary contributions for the funding of special programmes such as literacy campaigns, overall rural development, and programmes targeted towards disadvantaged sectors or unemployed groups etc.

If we look closer into the case of Argentina, we shall see that the contributions from the Ministry of Education and Justice to CONET have been declining in real terms throughout the decade. This tendency seems to be due to a shrinking of the real budget allocated to the Ministry, both in absolute terms and within the national budget. The relative stagnation of contributions to CONET shows up the financial weakness of an institution that, despite its enormous size, is almost exclusively dependent on the national budget allocated by the central government. The restrictions imposed by the budgetary system prevent CONET from securing any other source of income, such as the sale of services or by signing direct international agreements for loans or earnings through interest rates. Naturally, this stagnation of CONET income and resources first affected investments, both as to physical infrastructure (buildings, development of mobile units) as well as equipment (workshops, laboratories, input in general) and secondly, the deterioration of salaries and remuneration levels measured in real terms, and has led to a situation in which a large number of teachers and directors work for the institution only on a part-time basis.

Regardless of their nature, explicit budgetary contributions are not always a regular source of income. When compared to payroll, it is evident that difficulties arise through a lack of regularity and unpredictability. Delays and uncertainties overshadow VTIs that depend on this kind of allocation from national funds. In general, these public contributions are conditioned by restrictive policies particularly when there are fiscal deficits in the country in question. They are also subject to the chronic problem of a lack of flexibility in earning in certain highly inflationary economies, like Argentina, Brazil and Peru. They are vulnerable to budgetary inertia and are exposed to justified or unjustified changes resulting from politicians' preferences regarding the allocation of public resources. For these reasons, VTIs dependent on this source of funding tend to become stagnant, their planning deteriorates, their efficiency is undermined and they are exposed to political pressures to the detriment of their technical capacities and their social and economic impact.

Implicit subsidies charged to the national budget are the result of the good will of a government to a given VTI. They do not offer a guarantee of continuity, nor have they been compared with alternative targets of public expenditure. In that regard, they may, unwillingly, disguise inefficiency in the allocation of the resources, apart from the difficulty of quantifying their costs and benefits. There is no doubt that they will tend to be suppressed if Latin American countries continue to adapt orthodox tax policies.

G. Sales of training services

VTIs obtain income from two different kinds of training services: matriculation fees or individual tuition services, and the sale of services to public or private enterprises or organisations.

Perhaps Chile is the country where VTIs (OTEs) matriculation charge fees do this to the greatest extent. SENATI in Peru only charges

matriculation fees to individual applicants on the basis of existing vacancies in the industrial sector concerned.

The question when identifying alternative sources of financing adopted in Latin America, is not whether it is appropriate to demand matriculation fees or not. The relevant question is whether fees should become a significant source of financing within the VTIs' total income. In general terms, the answer based on practical experience is the following:

Matriculation fees reflect individual demand and have no connection with entrepreneurial prospects for evolution, market technology, innovative factors and the reduction of costs and risks in new investments.

Individual demand is not necessarily dependent upon the current occupation or prospective job of the candidate. On the contrary, it is a kind of miscellaneous demand that in most cases arises from an aspiration towards general technical training with a view to higher education.

Financing through charging matriculation fees often excludes people who cannot pay. It is therefore, a more stratified kind of service and a retrogressive one.

Some VTIs sell complete training packages that are financed by enterprises from their own resources or funds deriving from the application of tax rebates. The most well known cases are those of INACAP and SENAI. Other enterprises prefer to buy services for the launching of their own training units (SENATI the National Service for Apprenticeship and Industrial Employment in Peru and SENAI). Since 1988, SENAI has been authorised to charge for assistance services to enterprises with fewer than 499 workers, and these enterprises then deduct this from their tax incentives.

INACAP competes with other agencies in the sale of courses for a fellowship programme financed by the government. Other entities also sell management development programmes (SENA, SENATI, INAGRO the National Agrarian Institute in Venezuela). A case in point is that of the Mexican CATEX which is totally financed through the sale of training services to textile firms.

VTIs also sell services to the State in the form of appropriations for certain governmental, departmental, provincial or municipal projects, and apart from sectoral schemes, these are paid for through allocations to training expenditures within the budgets of the projects in question. In several cases, infrastructure or investment projects financed by the State need these VTI training services and the VTIs charge accordingly.

H. Sales of non-training services

Several VTIs have been experimenting with the sale of non-training services as part of joint activities with enterprises. To date, very few have kept strict account of the income, both in money and in kind, that has accrued from the rendering of assistance, consultancies, quality control and other services. Although the sale of non-training services promotes updating and closer links between VTIs and businesses, an accelerated process of the institutionalisation of this approach in order to increase revenues might bring about certain problems.

Excessive stress on these non-training activities might distract from the essential function of VTIs, which is vocational training. This means that there should be an awareness that the sale of non-training services should not affect the quality of the training services imparted. VTIs should endeavour to strike a balance so that in their search for an increase in revenue they do not stray from their basic task which is the training and development of human resources.

The rendering of non-training services over and above appropriate limits may lead to a loss in pedagogical sense. That is to say, VTIs will be brought closer to enterprises, will update cur-

ricular contents, and the occupational skills of instructors, teaching methods and equipment etc.

I. Co-financing agreements

Co-financing agreements with firms and enterprises are a supplementary funding channel that has become very popular and widely institutionalised in Brazil, and which are also nascent in Argentina, Colombia and Peru. The Argentinian CONET has frequently adopted a very creative approach to informal co-financing among enterprises, communities and vocational schools, and sometimes through co-operative units. A limitation of the system is the unevenness of the school units according to the greater or lesser degree of creativeness on the part of enterprises and in the community in general, also the flexibility of local CONET authorities. In Colombia co-financing is carried out through agreements between SENA and the business sector as a result of their identification of labour demand. There are agreements that do not lead to such uneven territorial development as in the case of the Argentinian mode. However, these agreements concentrate on highly sectoral activities. In Peru, this funding channel is primarily the result of the marketing activities of SENATI, an institution which decided to adopt an aggressive strategy in the search for markets and/or the backing of businesses through levies on their payrolls.

There are formal agreements in this field, some of them established and incorporated in the founding charters of VTIs. In the case of SENAI there are three types of agreements, the first two only apply to large enterprises with more than 500 workers, and a third which can be applied more flexibly.

l) Agreements regarding exemption from the general payroll tax whereby enterprises can withhold up to 80% of their contributions.

2) Agreements regarding the partial withholding of the additional contribution of 0.2% of the payroll, imposed upon larger enterprises up to 20%.

3) Similar terms and conditions for technical and financial collaboration although the withholding percentages fluctuate from 10 to 30 per cent.

The Venezuelan INCE adopted a similar scheme that is applied in two different ways: on the one hand, enterprises may deduct up to 60% of their contribution in order to implement direct training programmes under INCE's supervision; on the other hand, they may contribute these withheld earnings to sectoral INCEs.

In general terms, the following assessment and forecast can be made with regard to these co-financing agreements:

These agreements constitute a guarantee of efficiency in the allocation of resources. As they mean additional expenditure by enterprises, they have to fit into the express or implicit evaluation for optimising expenditures. In this respect, agreements are a more adequate instrument than tax rebates or budgetary contributions.

Agreements promote a relationship between training, occupation and employment, which is a desirable cornerstone.

They also legitimise VTIs vis-a-vis employers and workers and reactivate the effective participation of cnterprises in the planning, programming and evaluation of training activities.

Co-financing agreements effectively raise the volume of resources allocated to VT. Brazil is a positive example of this in Latin America. When these agreements imply a matching fund for the enterprise proportional to the amounts withheld by VTIs, the economic significance of their contribution is transformed.

Agreements also break up any routine programming inertia of VTIs and promote an updating of courses thus making VTIs an indirect factor in workers' retraining, the dissemination of new technologies and the promotion of greater competitiveness within the economy.

IV. Challenges and prospects

VT systems have faced a double challenge over the past fifty years. They have had to restructure their finances and their institutional organisation in order to provide the flexibility necessary for change, and to create the possibility for growth to justify the efficiency of the sector vis-à-vis other uses of socially-oriented resources. They have also had to reform their programmes and cater for a twofold challenge: the ability to look after new high tech sectors in industry and the ability to contribute to the new make up of the economically active population. This adaptability is particularly difficult to achieve as much of the labour force is informal, anonymous, scattered, independent, and lacks an institutional structure to make demands of the market or the State. These two requirements are difficult to reconcile. New technologies are frequently introduced in large enterprises made up of wage earning workers with stable jobs linked to their employers in the traditional way.

VTIs have managed to respond with great success to this requirement for adaptation. There are hardly any other entities within Latin American public administrations capable of adapting themselves as quickly and efficiently as these VT bodies.

A. The financial adaptation of VTIs

In the financial area, the main challenge has been to broaden the contributions from levies on payrolls and to diversify sources of funding or, as an alternative or supplementary measure, to make the specific allocation of payroll levies more flexible. This channel is being explored in different ways:

Some VTIs have widened their range of services by combining their VT programmes with technical education schemes or by working with a labour force made up of people from the informal sector, the peasant or campesino sector, senior citizens or women who had not previously been linked to the labour force.

Practically all VTIs have diversified their financing sources and have decreased their exclusive dependence upon levies on payrolls. Additional sources of funding are, at present: co-financing agreements, the securing of tax rebates, contributions from the national, regional, sectoral or municipal budgets, the selling of services and enrolment fees.

With the exception of National General Budget contributions, all other mechanisms are equivalent to the validation of VT programmes in the market place.

As part of this adaptation process, VTIs have had to respond simultaneously to two new demands: first, the government requirement that they act as agents for social policies aimed at bringing people into the labour market who were not previously integrated into the economically active population; and second, entrepreneurial demands for the modernisation of programmes and equipment, personnel and the infrastructure of the VTI institutions.

When we compare them with one another, Latin American VTIs react to different kinds of requirements, within different institutional structures belonging to different national contexts.

B. The institutional adaptation of VTIs

VTIs have not managed to cope successfully with the requirement for institutional and or-

ganisational readjustments that occurred simultaneously with the demand for financing changes. Such requirements consist fundamentally of the ability to perform the following tasks:

To identify the current or potential demand, stemming on the one hand, from the general population and governmental social programmes, and on the other, the demand arising from new processes for the production and distribution of goods and services. Some VTIs have set up marketing departments to study their clients, individual or sectoral needs. Others have become closely associated with decision-making spheres at government level and have co-operated with them in the planning of their social programmes;

To design, flexible and detailed training programmes appropriate to emerging demands with the private sector and for the Government;

To constitute an adaptable staff of instructors, capable of reacting to changing sectoral demands. With that end in view, VTIs are gradually increasing new approaches such as consultancies, the subcontracting of services, and above all, establishing links through specific programmes or projects;

To bring down general overhead and other costs that are not easy to recoup, such as the building of new infrastructures and investments in equipment. For this kind of investment, VTIs are more frequently associated with enterprises and governments. Alternatively, to seek a multipurpose utilisation of the existing infrastructure and shorter programmes;

To follow up and carry out evaluations with enterprises and governments evaluations of all training programmes.

C. Financial scenarios for VTIs

Having successfully accommodated the initial stages of the new social and economic forces, VTIs must still negotiate more stages to reach the end of the readjustment process. These stages differ from one country to another and from one VTI to another. The possible scenarios vary but each VTI and each VT system is making progress and should continue to make progress over the next few years as regards the development of a strategy for adaptation to the real life environment in which it must operate.

If we accept the hypothesis that VTIs have to replace, or at least to substantially supplement, their traditional source of funding, we can establish, by way of example and for purely analytical purposes, an order of adaptation to factors of change or rather, to the degrees of jeopardy or instability weighing upon the current models of VTI financing.

First category (and the financial scheme at greatest risk): institutions that continue to essentially depend on levies on payrolls. It does not seem that imminent change will come about through the abrupt discontinuation of these levies, (such as happened a few years ago in Argentina and Chile) but rather through gradual changes regarding the allocation of these levies either by turning them into the General Treasury or by temporarily freezing the funds to be transferred to specific projects or for other purposes. This is what is happening at present in SENA and INA. In any case, the payroll levy is criticised on the grounds that it is a tied income implying a risk of rigidity and inefficiency, and that as a tax on employers it tends to discourage the demand for manpower and to aggravate the unemployment situation.

Second category: VTIs that are dependent on national budgets. These institutions enjoy comparative stability and can anticipate their funding, based on results from a previous period. This is what happens in Argentina. However they are subject to chances in growth in the national budget and are vulnerable to changes of priorities in the allocation of resources and current pressures in favour of a base

zero budget, or at least, of a more flexible kind of budgetary organisation. As the flexibility of earnings from ordinary revenues is usually slightly below that which can be obtained from payroll levies, we can suppose that these VTIs will tend towards a relative stagnation of income and as the struggle and competition for budgetary appropriations takes place in the political sphere a brake is placed on the development of the institution in question and reinforces other structural demands (such as trade unions and the behaviour of bureaucratic forces, etc.). These factors inevitably lead to a freezing of programmes and operations.

Third category: institutions that are financially dependent on tax rebates. They differ according to their internal organisation and the kind of tax incentive applied. In this case, we refer to what is happening in Chile, where the VT system is characterised by many VTIs competing with one another for the resources that are released by the tax rebates. These institutions need to be effective and efficient to keep pace with employers' options and preferences. They should be concentrated, updated and should sell their services. They should also seriously control their costs and optimise their resources. VTIs operating under this financial scheme are validated by the market and legitimised by government opinion and the opinion of workers and employers. Despite these virtues, this kind of arrangement is also in danger; its Achilles' heel is constant questioning and surveillance on the part of the authorities as to how they use the tax rebates.

Fourth category (the hazardous financial scheme): institutions that are co-financed by enterprises. Although these co-financial agreements are hypothetically these VTIs only source of income, other funding sources are needed to supply financial stability, planning capacity and foresee demand and the need to have matching funds in order to encourage the drawing up of such agreements. Such is the case of Brazil, where co-financed agreements are supplemented by a levy on payrolls. Criticisms that might be aimed at the latter as regards inefficiency and in effect for being a tax on employment vanish in view of the close connection between contribution and demand and the additional contributions by enterprises.

Like tax rebates, agreements with firms and enterprises bring VTIs into closer contact with the market, into a closer relationship with new technology and a more acute understanding of the retraining needs of the employed. Generally such VTIs become more aware of the restructuring of production and services that has taken place everywhere. But as opposed to the tax incentive mechanism, co-financial agreements do not generate tied funds that have to be formally utilised by the enterprises. On the contrary, these are funds freely available to firms and which they may opt to add to their VTI contribution. In fact the only possible criticism of agreements with enterprises lies in the uneven levels of co-financing from the different economic sectors, in that only those sectors that have sufficient resources can propose significant agreements to institutes. This unevenness tends to aggravate inequality of development. Production and services sectors are stimulated to the detriment of others which should warrant special attention on the basis of social, economic or political considerations. Despite this limitation, there is no doubt that these arrangements to channel training towards the more competitive sectors bring better prospects of returns for the country. For that reason, they are the most dynamic and promising sources of income.

D. Financial agenda

VTIs must continue to partially substitute and supplement contributions from payroll levies until they consolidate a new mix of funding sources. Levies on payrolls should continue to play a fundamental but not an exclusive role in this new balance of financing sources. Its principal role should be that of maintaining regular VTI activities and encouraging the funnelling of new public and private funds towards vocational training. The following measures would be required:

To obtain, explicit governmental subsidies or contributions in the short term and apart from levies on payrolls for covering general costs of training (not just vocational training) of the new labour force. Consequently VTIs should keep separate accounts and financial programming for the rendering of such services. They should gradually transform regular budgetary contributions into explicit transfers with quantification and explicit justification of costs and benefits;

In the medium and long term, to increasingly fall back on enrolment fees, or better still, on contributions from unions and associations of independent workers. This would mean the gradual development of a co-financing policy of programmes for a certain proportion of independent, occasional or sub-contracted workers who make up the labour force of the informal market. In this way, government subsidies would be replaced by co-financing schemes through the participation of workers interested in vocational training;

To maintain a certain proportion of income stemming from payroll levies and to employ it more actively to encourage co-financing by enterprises and by governments for the implementation of specialised programmes. In this manner, although levies and payrolls might seem to be the main source of income, co-financing would continue to be required on a permanent basis;

To include decentralised and local bodies in co-financed programmes and agreements with enterprises and in the sale of general services. By virtue of the decentralisation programmes that all countries of the region have undertaken, intermediate levels (states, provinces, departments or regions), and local levels (usually called municipalities or districts) will have more funds and will need to channel part of them to meet the specialised training demands arising from their new responsibilities;

To promote campaigns to illustrate the connection between contributions based on payroll levies and the adaptation of VTIs to new entrepreneurial and governmental requirements.

E. Institutional agenda

From an institutional point of view, the goals should be the following:

To establish closer links between the planners of training programmes and the financial planners; to strictly specify costs for each programme and to endeavour to endow each one with its own funding scheme. The overall financial package of a VTI would then consist of several sources; each for a specific purpose;

Further decentralisation of the decision-making processes regarding investments and programmes, in order to provide more appropriate responses to the new demands stemming from local bodies in both the public and private sectors;

To cut back on overhead and fixed investments, and to give them multi-purpose applications whenever possible.

V. Financial management of VTIs

The original financing formula chosen for VTIs made them highly flexible and capable of adaptation, with mechanisms for automatic adjustment in order to react to labour market demands. VTIs could afford to abandon rigid budgetary mechanisms that hampered the management of most public organisations.

The economic crisis of the mid-seventies together with economic restructuring and the impact of the technological revolution on the organisation of production and work processes considerably altered the structure, size and make up of the labour force of the region. Payrolls diminished and real wages deteriorated. As a result of these phenomena the income of VTIs through the payroll levy began to dwindle.

Since then, VTIs have had to diversify their sources of financing which tested their operational flexibility and their financial management mechanisms. They had to learn to handle other types of funding from less stable sources and were therefore exposed to greater fluctuations in regard to the availability of operational income. In particular, the sale of non-training services was a new element in the financial management of VTIs.

Flexibility in the financial management of VTIs also appears through channels that are not necessarily monetary. Most institutions receive donations of equipment and raw materials for their training centres through agreements with businesses. Accordingly, it can be difficult to estimate their income as regards contributions in kind.

A. Volume and significance of VTI resources

To estimate the amount of VTI financing of the region is difficult. There are a number of factors affecting the compatibility of figures. Not all VTIs provide sufficient information, so that series are frequently incomplete. Values in general are expressed in national currencies; the high rates of inflation afflicting some countries and the fluctuations of the US dollar also affect the possibility of awarding a constant value to VTIs' incomes.

An initial approximation in order of magnitude, can be seen in Table 1. In general, some entities underwent remarkable development, in the period 1975-1987; they are SENAI, SENAC, SENA, INA, INACAP and UTU.

Benefits accrued since 1986 for SENAI and SENAC (Brazil) due to monetary reform and the elimination of the wage ceiling, (the maximum reference value) which was applied to calculate the transfer of funds to training bodies by the institution for financial administration and social security, IAPAS, the body in Brazil entrusted with the collection of enterprise contributions for social security and VT.

In INA (Costa Rica) the improvement was due to an increase in the rate of contribution from enterprises, from 1 to 2% of their payrolls and the expansion of coverage of tax payers, including agricultural producers, the public sector and others. This was accomplished through Law No. 6868 of 1983 which widened the National Training Institute's mandate

INACAP (Chile) went through a critical budgetary situation in 1975 as a result of a harsh policy to curb public expenditure. This crisis was surmounted when tax rebates were introduced for enterprises and at the same

time, INACAP devoted a greater part of its capacity to the supply of higher technical education on a self-financing basis.

The Colombian SENA increased the number of contributing enterprises by removing limitations on capital and personnel through Law 21 of 1982, and the Uruguayan UTU benefitted from the general improvement in education in Uruguay when the democratic government took over in 1984.

Despite the wider coverage of the labour force that VTIs have achieved, their portion of the national budget is relatively small, as can be seen in Table 2 showing the regular income of VTIs in relation to GDPs. The regular incomes of these institutions as compared to the gross domestic product of the respective countries ranges from 0.33% in Chile to 3.89% in Costa Rica. (See 1 and 2).

VTIs obtained funding from a variety of sources, although in the main they were government subsidies. Table 3 on VTIs' cash income by source for the year 1987 shows a classification of the regular sources of income as included in this study. Most of the institutions obtain their resources from a tax on the payrolls of enterprises, sometimes including public institutions, such as SENAC, SENAI, SENA, INA, INFOTEP the National Institute for Technical and Vocational Training in the Dominican Republic, SECAP the Ecuadorian Vocational Training Service and SENATI. This source provides more than three quarters of the cash income of SENA (82.0%), INA (78.4%) and SENATI (86.0%).

VTIs have always faced various difficulties in collecting their payroll tax. Evasion of the tax by enterprises, delays and the withholding of funds by official collecting bodies, difficulties that are aggravated during periods of high inflation, have led VTIs to adopt various types of strategies. Recently created VTIs seem more tolerant of evaders, perhaps due to difficulties in achieving efficient performance to keep within their budgets. These VTIs do not always have the capacity to implement programmes according to the resources they are entitled to collect. Other VTIs with a longer history and more experience are more aggressive in seeking different channels to achieve compliance with the legal norms that entitle them to collect these moneys. Such are the cases of INA, SENA and INCE.

The allocation of regular tax resources to VTIs, is only important in the case of public institutions like the Argentinian CONET or the Uruguayan UTU. Tax rebates and the demand for training from firms and enterprises are important items, although not determining factors in SENAI, SENAC and INACAP. These institutions compete with other agencies to sell their services to enterprises that may deduct part of that expenditure from their tax obligations. In the case of INACAP, the charge of an enrolment fee and the sale of so-called "closed" courses to private persons, enterprises and public organisations, are the main sources of financing at present - a radical change from the situation prevailing up to the mid-seventies when INACAP was mainly financed from the imposition of regular taxes.

The sale of services and allied VT products, such as technical assistance and production services, does not seem to be an important source of income for VTIs. In fact, with the exception of SENATI (1.9%), other institutions have not made significant earnings under this item. Some VTIs have pointed out that these services are often charged in kind or are given free of charge for promotional purposes. It also frequently happens that earnings of this sort are spent at the unit that generated them and are not recorded in the VTIs' central budget.

The item "other regular income" in Table 3, is quite significant for most VTIs. It mainly includes income from investments such as rentals, dividends, interest and monetary correction. In the case of the Sao Paulo SENAI it also includes the sale of services and products. These financial investments are probably made with temporary cash surpluses but mainly stem from the overall budgetary surplus that nearly all VTIs have at some point.

This surplus may be due not only to a chronic excess of resources, as it might seem at first sight, but also to expenditure restrictions imposed by governments as in the case of INA and SENA. VTIs usually have a deliberate strategy to use these surpluses as a back-up mechanism to face up to the risks of inflation which undermine the real value of their earnings. They also wish to avoid economic contraction that might shrink the basis of their contributions or delays in the approval of annual budgets by the government in some cases.

The balance sheet of some VTIs for the year 1987 shows that the "operational incomes" were sufficient to finance their regular expenditures. Furthermore, the items "other regular income" and "capital incomes" exceeded their needs for investment. Thus, considerable budgetary surpluses were generated which, as indicated above, constituted a supportive mechanism that institutions created in order to confront the risk of economic instability.

These surpluses were usually covered by governments trying to induce VTIs to invest in government bonds or the public debt, to make deposits in the state banks or just to transfer them to other government institutions as happened to the greater part of the resources of the Colombian SENA when Law 55 of 1985 was passed. In effect in 1987 INA and SENA transferred resources to other institutions to the tune of 20% and 77% respectively, of their budgetary surpluses.

B. International co-operation

Technical and financial international co-operation has been a very important source of income for VTIs. Despite the fact that such resources transferred to VTIs were plentiful, it is difficult to estimate how far they went. However, it is evident that international contributions have been decisive for the institutional building of nearly all VTIs of the region and for their development and consolidation.

At first VTIs sought international support, (both on a multilateral and bilateral basis), in order to launch the institution and to consolidate them. Now these international resources are increasingly aimed at achieving the transfer of productive technologies. This means that the initial stage of receiving equipment and almost automatically accepting any technical pedagogical packages for training in different trades and specific economic sectors, is over. Currently, after VTIs consolidated their institutional capacity, their main concern lies in the absorption, assimilation and adaptation of productive technologies that are appropriate to the national and regional economic situation.

According to an official of the DSE (Deutsche Stiftung fuer Entwicklungshilfe, German Foundation for Technical Assistance), VT was always one of the main items of aid from Germany. A study carried out at SENA in the late seventies, showed that SENA had taken the greatest advantage of technical assistance offered by international organisations and foreign governments and enterprises. The Brazilian SENAI at present benefits from assistance from nearly all the countries of the European Economic Community, and Canada, Israel, Japan and the United States, in key areas of its operation. In expert and consultant services alone, according to data from Germany, Italy, Japan and UNIDO, SENAI received assistance from 38 technicians during the 1980-1987 period.

In terms of a study of VTI financing, we have to repeat that this kind of contribution is not easily detectable as the figures are not recorded as income in their regular budgets. Resources from bilateral technical co-operation schemes in particular, are omitted from these figures.

The situation is different as regards resources from international development banks. In general, loans awarded to VTIs are repaid, such is the case of INA, SENA, SECAP, INFOTEP, which assumed responsibility for the repayment of their loans. In Brazil, the government assumed the responsibility for returning the credits to

the International Bank for Reconstruction and Development (IBRD) that had been transferred to SENAI and SENAC, at no cost to the institutions.

However, there are some paradoxical cases within the flow of international technical co-operation. For example, while INACAP was in the government orbit and its financing ensured by the Chilean treasury, it received large contributions through international co-operation. When it became a self-financing institute, however, this support was discontinued. But INACAP needs such support now as it is budgetarily dependent on the sales of services to firms and individuals, and therefore has no surpluses for investment in order to modernise its physical and technical infrastructure. Thus, a VTI, which managed to develop an original financing model to survive and to grow now only has restricted possibilities of receiving fresh resources.

VI. Trends in financing

A. Flexibility and financing

It seems evident that VTIs are faced in the short-term with the need to reorganise their financing systems. This situation is due to diverse factors. On the one hand, the restructuring of productive processes has had a direct effect on relative economic stability and had led to the deterioration of real wages. On the other hand, financial policies have tended to restrict public expenditure to the maximum extent and to reorder tax policies.

Hence it is imperative that VTIs widen the basis of their financial support. They must diversify their financing mechanisms that until recently have been mainly based on payroll levies. Diversification means broadening the bases of sources of funding and also the following:

Doing away with structural rigidities that derive from the pressure applied when contributions stem from a single source;

Better adaptation to market requirements. To obtain additional funding sources will involve the sale of appropriate products and services;

Decentralisation of management, not only from an operational and technical point of view but also with regard to financial aspects and conferring greater autonomy to provincial or state centres and departments; as well as to regional or municipal units;

Automatic evaluation of results, through their validation as to the quality of the training programmes based on market criteria and stemming both from workers and enterprises.

Nowadays VTIs of the Latin American region are accelerating their search for new financing formulas. They are working their way towards inter-institutional agreements that share not only monetary financing, but also the responsibility for the supply of physical, material, technical and human resources. This type of agreement encourages co-operation and co-ordinatation of resources in conjunction with enterprises, private sources of financing, non-governmental and governmental organisations, e.g. municipalities, local authorities, and sectoral and regional development bodies. However, these new mechanisms are still to be recognised, organised and properly implemented. Furthermore, an effective system of encouragement for VTIs to carry out these activities is also required.

B. Efficiency and financing

The future removal of taxes specifically destined to finance VT is necessary. Some of the advantages and disadvantages stemming from past experience in the region are specified below.

VT levies constitute public resources designated for a specific purpose, and therefore go counter to some of the principles that are being increasingly applied in the handling of public funds in Latin America: namely, cash unity (fiscal equilibrium as a single entity, so that surpluses in some areas have to make up for deficits in others), decentralisation of public expenditure (regional authorities ought to have greater power in the handling of public funds), and fiscal flexibility (public finances as an instrument of the general economic policy of the State). Consequently, the State may freely dispose of all the resources transferred to the public domain, either through taxes, levies or other income in accordance with

government priorities. An additional source of conflict with the public interest is the fact that contributing enterprises often see payroll taxes in favour of VTIs as a mandatory expenditure that calls for a matching service equivalent to what they are paying. This undermines the redistributive potential of those resources.

Some studies have shown that the negative effect that payroll taxes are supposed to have by making the labour factor more expensive, does not in fact seem to be very important. In the long run, with real wages tending to decline, the recomposition of the labour supply profile (with more skilled workers available) will tend to strike a balance in the employment situation.

From the point of view of VTIs, financing based on levies on payrolls is in many respects an ideal formula. For a VTI it is a relatively secure source of income that they have handled with great autonomy in the past, and which has favoured their long-term development.

These resources and the responsibility assumed by VTIs vis-à-vis society, and particularly, the entrepreneurial sector that contributes to these taxes, have helped to set up large institutions with good educational technology highly concerned to adapt their teaching to the needs of the labour market, both in quality and quantity. Unfortunately, they do not seem to be adequately concerned as to their internal efficiency, which could be detrimental to the scale economies that they have already imposed.

However, this financing scheme is more costly to collect and incurs the risk of evasion. These shortcomings tend to increase especially when evaders are not penalised and it is the VTI itself which collects the tax. In the long term the problem may worsen as a result of the restructuring of production in some countries and the disappearance of formal employment ties which favours fewer contributors in some sectors, such as agro-industry, the graphic arts and construction sectors.

C. Equity and financing

Equity has long been a priority for VTIs and to a certain extent has been achieved particularly in relation to their redistributive function. The financing mechanisms that support VTIs might be defined as benefitting large enterprises in the more dynamic and modern economic sectors, located in areas undergoing considerable development. However, there is also an increasing tendency for VTIs to serve segments of the population outside the more modern sectors. The scope of VTIs' activities is no longer mainly devoted to the more advanced sector; on the contrary, they are tackling and giving priority to less developed sectors which can make little financial contribution to their resources. Furthermore, the channelling of resources towards underprivileged regions was foreseen in several of the VTIs' founding charters, e.g. SENA, SENAC, SENAI, SENATI, and others. In other cases the redistributive mechanisms are based upon special subsidies received by VTIs from their respective governments in order to concentrate upon the less favoured sectors.

New financial mechanisms might impinge upon the effects of equity within VTIs. New avenues opened up so far are essentially of a commutative nature. Namely, the direct sale of services or, through fiscal incentives, the withholding of production earnings, agreements regarding co-financing and discounts to large enterprises, etc. The sale of services to governments, either at national, regional or local level, might protect the redistributive effects.

Hence the importance of any type of financial reform for VTIs. In addition, the principle of equity fundamental to VTIs should be kept in mind and not lost under the pretext of improving overall efficiency in handling public resources.

Glossary of Acronyms

CATEX	Textile Training Centre
COCAP	Honorary Council for Vocational Training, Uruguay
CORFO	Production and Development Corporation, Chile
DSE	Deutsche Stiftung fuer Entwicklungshilfe, German Foundation for Technical Assistance
IAPAS	Institution for Financial Administration and Social Security
ICIC	Training Institute for the Construction Industry
INAGRO	National Agrarian Institute, Venezuela
INAPET	Petroleum and Petrochemical Training Institute, Venezuela
INFOTEP	National Institute for Technical and Vocational Training, Dominican Republic
OTE	Technical Execution Organisations, Chile
SECAP	Ecuadorian Vocational Training Service
SENAEM	National Employment Secretariat, Chile
SENCE	National Service for Training and Employment, Chile
SENCICO	National Training Service for the Construction Industry, Peru

Table 1

VTI's regular income for 1975-1985-1986 and 1987
(in thousands of US dollars per year)

VTI	COUNTRY	1975(a)	1985(a)	1986(a)	1987(b)
CONET	Argentina	100,667	156,110	123,076	n.a.
SENAC	Brazil	35,014	43,712	88,372	n.a.
SENAI	Brazil	90,681	95,859	153,741	198,000
SENAR	Brazil	---	5,891	8,879	4,300
SENA	Colombia	31,235	80,940	93,122	107,327
INA	Costa Rica	3,360	19,987	21,122	18,960
INACAP	Chile	1,651	7,656	8,642	6,788
INFOTEP	DominicanRep.	---	2,026(b)	2,522(b)	2,750
SECAP	Ecuador	3,281	5,755	5,213	n.a.
SENATI	Peru	6,254	3,746	8,340	4,272
SENCICO	Peru	---	1,860	1,809	2,700
UTU	Uruguay	7,127	11,226	16,336	n.a.
TOTAL		279,270	434,768	531,174	*

*Lacking data, it is not valid to compute the global amount.

SOURCES: (a) Cinterfor/OIT: Anuario estadístico de la formación profesional en América Latina
(b) Survey of VTIs. Regional study.

Table 2

VTIs' regular income as a percentage of GNP for 1975 and 1986
(in million US dollars per year)

		1975(a)			1986		
VTI	**COUNTRY**	**VTI**	**GDP**	**VTI/GDP (x1,000)**	**VTI(a)**	**GDP(b)**	**VTI/GDP (x1,000)**
CONET	Argentina	100,7	36,551	2.76	123,1	84,100	1.46
SENAC	Brazil	35,0	81,455	0.43	88,4	333,784	0.26
SENAI	Brazil	90,7	81,455	1.11	153,7	333,784	0.46
SENAR	Brazil	—	81,455	—	8,9	333,784	0.03
SENA	Colombia	31,2	12,887	2.42	93,1	44,842	2.08
INA	Costa Rica	3,4	1,919	1.77	21,1	5,427	3.89
INACAP	Chile	1,7	7,110	0.24	8,6	26,239	0.33
INFOTEP	Dominican Rep.	—	—	—	2,5	8,713	0.29
SECAP	Ecuador	3,3	2,797	1.18	5,2	13,638	0.38
SENATI	Peru	6,3	4,752	1.33	8,3	29,469	0.28
SENCICO	Peru	—	4,752	—	1,8	29,469	0.06
UTU	Uruguay	7,1	2,416	2.94	16,3	7,963	2.05

SOURCES: (a) Cinterfor/OIT: Anuario estadístico de la formación profesional en América Latina 1975 y 1986.
(b) BID: Progreso económico y social en América Latina, 1988.

Table 3

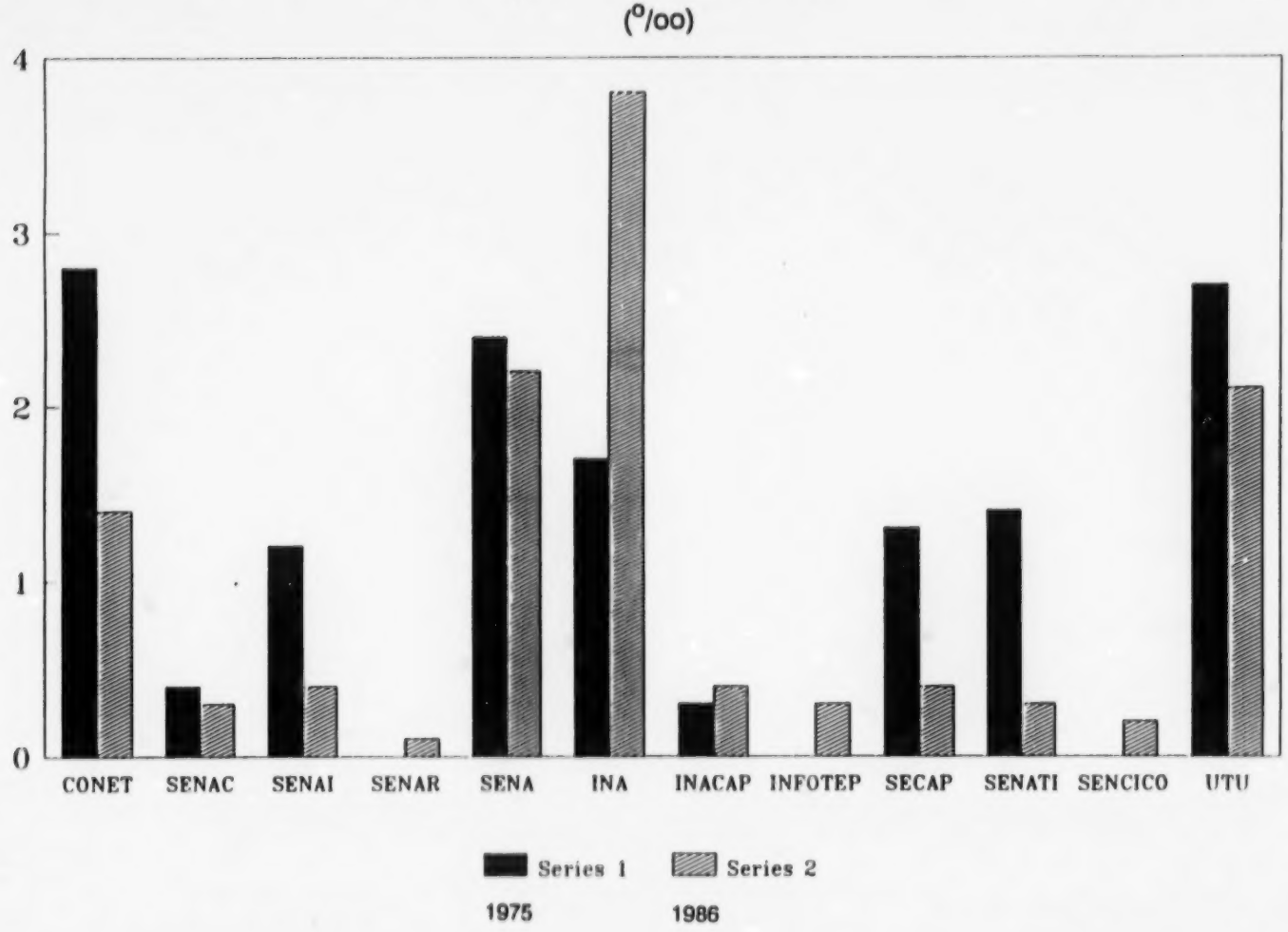
Main sources of financing for 13 VTIs
(1987)

	CONET	SENAC	SENAI	SENAR	SENA	INA	INACAP	INFOTEP	SECAP	SENATI	SENCICO	UTU	INCE
1. Payroll tax		XX	XX		XX	XX		XX	XX	XX			XX
2. Production tax											XX		
3. Appropriations from fiscal budget	XX			XX	(--)	(--)		(--)	X		(--)	XX	X
4. Fiscal incentives to enterprises	X	X	X	(--)			XX						
5. Workers income tax								X					X
6. Tuition fees		(--)	(--)				XX			(--)			
7. Sale of services and products		(--)	X		(--)		(--)			(--)			
8. Cost-sharing agreements	X	(--)	X	X	X	X	(--)	(--)	(--)	X	(--)	(--)	X
9. Transfers for projects		(--)	(--)	(--)	X	X	X	(--)	(--)	(--)			(--)
10. Other		(--)	X		X	X		X	X	X	X		(--)

SYMBOLS: XX = Main source
X = Secondary source
(--) = Sporadic source

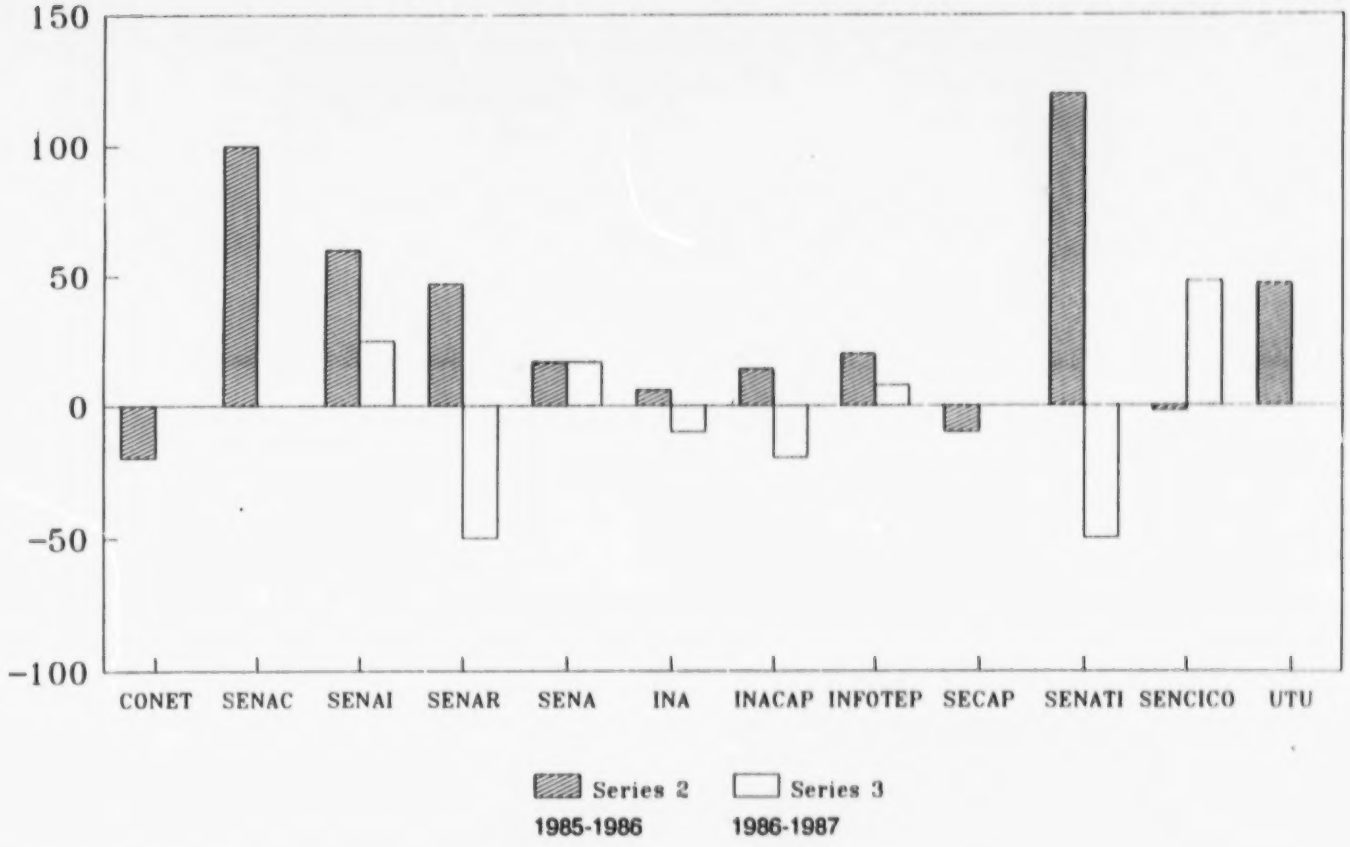
SOURCE: Survey of VTIs. Regional study, Cinterfor, 1988

VTI's regular income as compared to GNP (1975 - 1986)



Sources: Cinterfor/OIT: Anuario estadístico de la formación profesional en América Latina, 1975 y 1986.
BID: Progreso económico y social en América Latina, 1988.

Variation in VTIs' regular income as compared to GNP (1985 - 1986 y 1986 - 1987)



Sources: Cinterfor/OIT: Anuarios estadísticos de la formación profesional en América Latina.
BID: Progreso económico y social en América Latina, 1988.